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Does 'Obamacare' have \$1 trillion in tax hikes, aimed at the middle class?

By [Glenn Kessler](#), Published: March 11 |
Updated: Tuesday, March 12, 6:01 AM

Ted S. Warren/AP

SEN. RON JOHNSON (R-Wisc.): *"The fact of the matter is, we already have a \$1 trillion in middle-income tax increases hitting us in Obamacare. They're hidden, but it's middle-class..."*

REP. DEBBIE WASSERMAN SCHULTZ (D-Fla.): *"No, first of all, that is completely untrue. There are not \$1 trillion in taxes in Obamacare."*

— exchange on ABC's "This Week," March 10, 2013

The argument over President Obama's health-care law, aka Obamacare, never seems to end, as witnessed by the fact that House Republicans on Tuesday will unveil a budget that yet again seeks to eliminate it.

This exchange on one of the Sunday shows caught our attention, as the battling lawmakers appear to be completely at odds. Are there \$1 trillion in taxes in the law, which Wasserman Schultz denies? And are these "middle-income" tax increases, as Johnson asserts?

The Facts

When the health care law became law in 2010, the nonpartisan Congressional Budget Office and the Joint Committee on Taxation provided estimates of the revenues in the law. But those estimates did not give a full picture because some big taxes did not begin until 2013 — and some are delayed even further. That means the tax number is bound to grow each year we move into a different budget window.

Taxes on so-called "Cadillac" high-cost health plans, for instance, do not begin in 2018, so the initial estimate only captured two years of taxes, raising \$32 billion. But the estimate for 2013 to 2022 captures five years of that tax, and so the revenue number grows to \$111 billion.

While there might have been a debate previously about whether the employer mandate is a tax, the Supreme Court upheld the constitutionality of the law on that basis, so it also seems appropriate to consider that to be revenue.

Thus, within the 2013 to 2022 budget period, there seems little debate that the health-care law has about \$1 trillion in taxes. The House Ways & Means Committee released [a calculation](#) earlier this month and there are few questions about its math. Alternatively, the Congressional Budget Office last year released [an analysis](#) showing that repeal of the law would cut revenues by exactly \$1 trillion. (See Table 2.)

"I think the \$1 trillion figure is fair," said Paul Van de Water of the left-leaning Center on Budget and Policy Priorities.

Game, set and match to Johnson? Not so fast.

Brad Woodhouse, spokesman for the Democratic National Committee, which Wasserman Schultz chairs, said that she was responding to Johnson's claim that there were \$1 trillion in "middle-income tax increases," though he acknowledges that in the heat of the moment she dropped the "middle-income" modifier.

In the meantime, Johnson can't come up with \$1 trillion in "middle-income tax increases."

The biggest tax increases in the law stem from an additional 0.9 percent payroll tax and a new 3.8 percent tax on investment income — but those are aimed at couples making more than \$250,000 and individuals making more than \$200,000. That accounts for almost a third — \$318 billion — of the \$1 trillion total between 2013 and 2022.

Johnson spokesman Brian Faughnan noted that these particular tax provisions are not indexed for inflation, "so ultimately it will hit anyone's definition of 'middle-income' taxpayers." That's true — [our colleague Allan Sloan decried the maneuver as "sneaky"](#) — but "ultimately" is not the 2013-2022 budget window under discussion.

As it happens, the Joint Committee on Taxation, in response to a question from a Republican senator, last year [identified the middle-class taxes in the health care law](#). In this 10-year period, it identified about \$130 billion in taxes with direct impact on the middle class, and another \$247 billion in taxes with possible indirect effects.

That gets us to \$377 billion. (The Republican staff House Ways & Means report lists taxes totaling nearly \$500 billion as targeting people making less than \$250,000.)

Faughnan suggested adding \$184 billion in reinsurance and risk adjustment calculations, which was not included in the Ways & Means report, but still leaves us well short of \$1 trillion. We are still short if we add \$222 billion in "other revenue effects," even though it is unclear how much of those revenues would come from the middle class: The House Ways & Means Committee specifically does not identify this item as affecting people making less than \$250,000.

Moreover, most calculations show that middle-income Americans are expected to get more in tax relief, such as health-care subsidies, than in additional tax hikes. CBO, for instance, [indicates](#) that middle-income Americans would receive about \$1 trillion in premium credits in this 10-year period. So on a net basis, most middle-class Americans should expect to come out ahead.

The Pinocchio Test

Both Johnson and Wasserman Schultz would have been on more solid ground with some tweaks to their language.

Johnson could have made the case for \$1 trillion in tax increases — but not \$1 trillion in middle-income tax increases. And Wasserman Schultz could have rebutted the "middle-income" claim — or noted [more middle income people likely will get a tax cut](#) rather than a tax increase; instead she simply rebutted the perfectly reasonable \$1 trillion figure.

Thus both lawmakers found themselves either a modifier too long or short. With allowances for the difficulty of being perfectly accurate on live television, they each earn Two Pinocchios.

Two Pinocchios

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